# OVERLAND WESTERN ANNUAL REPORT 1971

## Directors

Frederick A. Beck, Q.C., Senior Partner, White, Bristol, Beck

J. Campbell Carruth, President, Overland Western Limited

Lloyd S. Collacutt, Executive

Proctor A. Dick, President, Erie Beverage Limited

Robert D. Grant, Chairman of the Board, Overland Western Limited

George T. Heintzman, Vice-President and Director, Matthews & Company Limited

Frank D. Lace, President and Director, Matthews & Company Limited

Stephen J. Suske, Executive Vice-President and Secretary Overland Western Limited

Ian S. Waldie, Executive

## Officers

Robert D. Grant, Chairman of the Board

J. Campbell Carruth, President

Stephen J. Suske, Executive V.P. and Secretary

Howard W. Rawlings, V.P. Sales and Traffic

John E. Taylor, V.P. Industrial Relations and Loss Control

William T. Clayton, C.A., Comptroller

## Auditors

Clarkson, Gordon & Co., London, Canada

## Solicitors

White, Bristol, Beck, Toronto, Ontario

## Executive Offices

5200 Maingate Drive, Mississauga, Ontario

## General Office

Highways 59 and 401, Woodstock, Ontario

## Subsidiary Companies

Overland Western International, Inc.

Overland Western, Inc.

Western Freight Lines Limited

Trojan Freight Lines Limited

Oxford Tire Limited

G.W.A. Inc.

**Directors**

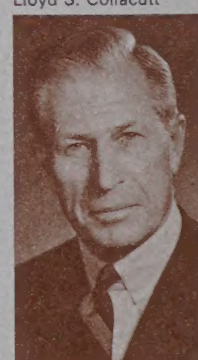

Frederick A. Beck, Q.C.

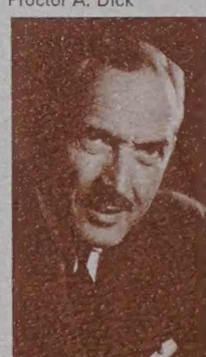

J. Campbell Carruth


Lloyd S. Collacutt


Proctor A. Dick


Robert D. Grant


George T. Heintzman


Frank D. Lace


Stephen J. Suske


Ian S. Waldie

# FINANCIAL HIGHLIGHTS

| | **1971** | 1970 |
|---|---|---|
| Net Revenue | **$16,945,139** | $14,403,657 |
| Operating Expenses | **14,383,893** | 11,988,165 |
| Depreciation | **1,253,682** | 951,480 |
| Interest Charges | **434,310** | 284,447 |
| Taxes on Income | **475,700** | 624,000 |
| Net Income | **457,728** | 608,818 |
| Earnings per share (assuming full conversion) | **$ .287** | $ .381 |
| Cash Flow per share | **$1.175** | $1.015 |
| Dividends per share on Common and Second Preference | **$ .15** | $ .15 |


The Company's fiscal year which concluded on October 30, 1971 was one of the most eventful in its 43-year history of continuous operations. Consistent with the Company's policy to expand through acquisition, all of the outstanding shares of Western Freight Lines Limited were acquired in July, 1971.

Upon completion of this purchase, which is the largest ever undertaken by the Company, the corporate name of the Company was changed to Overland Western Limited.

Subsequent to July, 1971, the Company proceeded to dispose of those portions of the assets of Western Freight Lines Limited which were surplus to the Company's requirements. Further references to the status of these dispositions are made under the heading Financial position and in Note 4 to the Consolidated Financial Statements.

### Operating results

Consolidated net earnings include the results of operations of Western Freight Lines Limited from the effective date of acquisition, July 29, 1971. Consolidated net revenue for 1971 totalled $16,945,139, an increase of 17.6% over the $14,403,657 reported for 1970. The revenue of Western Freight Lines Limited has been included for the last quarter only. Therefore, the consolidated revenue increase of approximately 13%, achieved prior to the acquisition of Western, more properly reflects the true revenue growth of the Company for the year.

Net earnings per share (assuming full conversion) from operations declined to 28.7 cents from 36.3 cents in 1970. Although high unemployment, strong inflationary pressures, such as labour rates, and the 10% surtax imposed by the United States on goods imported from Canada had some impact on our market areas, a 4.4% increase in net income was attained to the end of the third reporting period. However, several factors in the last quarter contributed to the earnings decline for the year. Results of the fourth reporting period, normally our most profitable, were adversely affected by the costs associated with the acquisition of Western Freight Lines Limited, wildcat strikes in Toronto by our employees and significant increases in labour and fringe rates in the last quarter.

Depreciation on all assets has been written on a straight-line basis over the estimated useful life consistent with the Company's policy in the previous year. Depreciable assets of Western Freight Lines Limited have been depreciated on a similar basis. Significant purchases of rolling stock in the current year and the addition of depreciation on the assets of Western Freight Lines Limited account for the increase in depreciation expense from $951,480 or 6.6% of revenue to $1,253,682, equivalent to 7.4%.

### Financial position

The Consolidated Balance Sheet reflects assets under sale agreements of $1,766,625, together with liabilities to be retired under these sale agreements of $1,071,075. The several sale agreements, which were entered into prior to October 30, 1971 provide for disposal of certain terminals and licences surplus to the Company's requirements. It had been anticipated that the sale agreements would have been concluded, in the normal course of business, prior to the Company's year end. However, the sale agreements were not closed, as anticipated, because of the application for leave to appeal the approval of the Ontario Highway Transport Board by three of our competitors. We are confident the matter will be favourably resolved and, as a result, the working capital position will be improved by approximately $695,550.

The consolidated working capital deficit of $1,458,710 is accounted for primarily by the deficit assumed on acquisition of Western Freight Lines Limited of $720,778 and the $695,550 referred to previously. The various items which account in detail for the decrease in working capital are set forth in the Consolidated Statement of Source and Application of Funds.

### Capital expenditures

Total expenditure in 1971 for automotive equipment was $1,476,413. The increase of approximately $700,000 over the previous year was necessitated by customer requirements, legislative changes in Ontario during the year permitting higher gross vehicle weights and replacement of older units in accordance with our planned replacement program. Forty new spread axle units and eight sets of specialized steel trains were acquired to take advantage of the heavier payloads permitted. The balance of expenditure on automotive equipment was for forty-five van trailers, thirty-one city units and ten highway diesels. As a result, ninety-one of the older units, surplus to our

requirements, were sold.
Other capital expenditures totalling $238,494 were required for additions and improvements to existing terminal facilities, new warehouse, garage and office equipment and communications systems including radios for our vehicles domiciled in Toronto, Windsor and Detroit.
Planned expenditures for 1972, primarily for road equipment, will approximate $1,000,000 net of trade-ins.

## Acquisitions and subsidiaries

The purchase of Western Freight Lines Limited has been consolidated into the accounts of the Company by the "purchase method" of accounting. Details of the net assets acquired are provided in Note 3 to the Consolidated Financial Statements. Consistent with past policy, the net cost of franchises acquired of $579,339 has been written off in the current year to retained earnings. All franchises held by the Company and its subsidiaries are reported in the Consolidated Balance Sheet at a nominal value of $1.
Since acquisition, Western Freight Lines Limited incurred a loss of $7,738, which is reflected in the consolidated accounts.
Pending final outcome of the appeal proceedings referred to elsewhere in this report, the Company is maintaining the operating licences of Western Freight Lines Limited in good standing.
Our New York and Michigan subsidiaries, Overland Western, Inc. and Overland Western International, Inc., contributed $21,105 to consolidated net earnings in the current year compared to $9,013 in 1970. Increased revenue and profits in the Michigan subsidiary account for the improvement.
Net earnings from operations of the remaining subsidiaries collectively amounted to $21,917 in 1971 compared to $28,837 for 1970.
Subsequent to the year end, Trojan Freight Lines Limited (formerly Hodgson-Taylor Company Limited) received approval of the Ontario Highway Transport Board to acquire all of the full load franchises of Overland Western Limited and Western Freight Lines Limited. Trojan commenced operations early in 1972 and is specializing in truckload movements to and from its points of service in Ontario and Michigan.

## Labour

A new three-year collective agreement between the Teamsters Union and members of the employers association in Ontario was signed October 1, 1971. The settlement, the highest in the Industry's history, provides for wage and fringe increases to unionized employees of approximately 42% over the term of the agreement which expires September 30, 1974.
The impact of this settlement in the first few months of operation, since it became effective, demands greater emphasis on freight profitability and cost control. Although much of our effort will be directed to these principles in 1972, further increases in freight rates will be required to partially offset our increased labour costs.
Rate levels in Ontario, while improved over last year, remain somewhat unstable. We are hopeful, however, that rate reductions and rollbacks will be curtailed for the coming year.

## Organization

During the year the number of Directors was increased from seven to nine and Mr. Lloyd S. Collacutt and Mr. Proctor A. Dick were elected Directors.
Mr. David A. Dick, formerly Vice-President and General Manager of Western Freight Lines Limited, was appointed Assistant General Manager of Overland Western Limited in September, 1971.

## General outlook

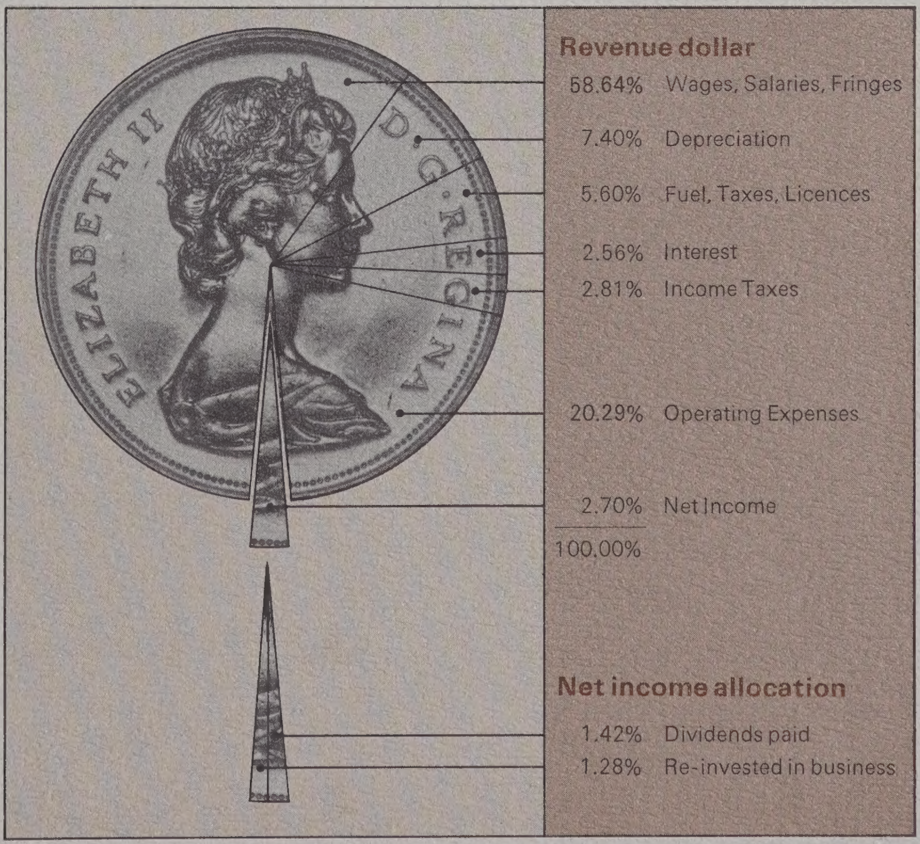
Although many of the economies anticipated by the acquisition of Western Freight Lines Limited have been realized, the delay in concluding the sale agreements previously referred to has had an adverse effect on operating results for 1971 and to date in the 1972 fiscal year. Additional operating improvements and further reductions in overhead will be achieved in 1972 and subsequent years.
We anticipate a general improvement in business activity and an increase in our market share. Freight rate increases, which became effective in January, 1972, together with our continued emphasis on profitability and cost control, will result in increased net earnings in the last half of the year.
The loyalty and dedication of our employees to our continued growth and success has been indispensable. To them — to our shareholders, Directors and customers for their continued support, we express our sincere appreciation.

Respectfully submitted,

R. D. Grant,
*Chairman of the Board*

J. C. Carruth,
*President*

March 20, 1972



**Western Freight Lines Limited**
In view of the merger of Western Freight Lines Limited with Overland Express Limited, shareholders may be interested in the background of the people and the operations of Western Freight Lines.
It was in 1936 that Western Freight Lines Limited was formed through the amalgamation of three pioneer trucking companies, Maple City Transport, Pugh Transport, and Greenline Transport.
Together, these three companies had 32 power units and 20 trailers as their carrying equipment. From the beginning, Western was an efficient, healthy operation with a net profit of $40,000 on a revenue of $177,000 in the first ten months of their business. The original licences gave the company routes between Toronto, Hamilton, London and Windsor, and in 1953 this service was expanded by the purchase of F-K Motor Transport of Preston, which added to its services Kitchener, Waterloo, Galt and the Lakeshore-Oakville area.
At the time of the acquisition by Overland Express Limited, Western had increased its revenues up to $5,500,000 operating 250 trailers and 200 power units. Their service areas stretched from Toronto to Windsor with terminals in Hamilton, London, Preston, Sarnia and Chatham.
In 1944, Proctor A. Dick acquired control of Western Freight Lines and took over the presidency. Mr. Dick was active in many business and community affairs. He has been President of Erie Beverage Limited since 1937. From 1950 to 1960, he was also President of Transportation Fire & Casualty Company. He has been a Director of the Automotive Transport Association since 1958, and acted as President of that organization in 1963-64.
Since 1940, Mr. Dick has been involved in the Rotary Club of Chatham, at various times as Director, Secretary, President, and District Governor. During some of those years, he acted as Alderman on the Chatham City Council. Mr. Dick has always been active in the community affairs and has served on the executive level for such organizations as the library, hospital, the church, and other associations.

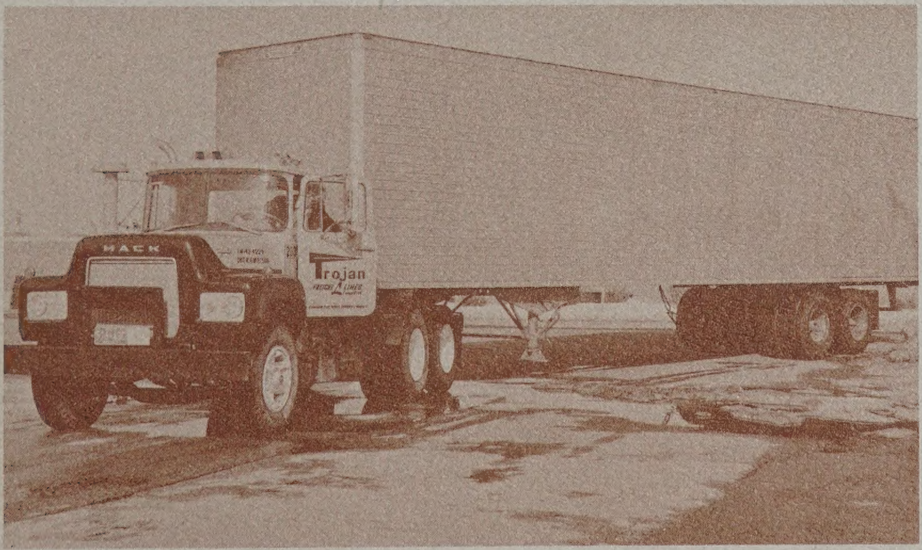
David A. Dick joined Western Freight Lines in 1964, and by 1967 he had assumed the responsibilities of Vice-President and General Manager. With the acquisition of Western Freight Lines by Overland Express and the merging of the two operations, David Dick has now been appointed Assistant General Manager of the combined Overland Western Limited operation.

**Trojan Freight Lines Limited**
Overland Western's newest subsidiary in the common carrier business is Trojan Freight Lines Limited. Formerly known as Hodgson-Taylor Company Limited, Trojan was created to specialize in truckload shipments within Ontario, and to and from the International boundary at the Detroit and St. Clair Rivers.
Accordingly, Overland Western and subsidiaries transferred to Trojan all class "C" operating authorities (for the carriage of one person's goods within Ontario) and all class "X" authorities for one person's goods on International shipments.
Trojan now provides truckload service in Ontario to and from the following points: Chatham, Wallaceburg, Preston, Whitby, Ajax, Toronto, Hamilton, Woodstock, Ingersoll, Windsor, Sarnia, St. Catharines, Kitchener, Waterloo, Galt, London, St. Thomas, Brampton, Dutton and Fingal. In addition, service is provided to or from the International boundary at the St. Clair and Detroit Rivers on full load shipments.
Since Trojan management personnel are specialists in truckload shipments, the long range forecast for an improve-

J. F. Enright

ment in consolidated revenues and net earnings is encouraging.
Mr. J. F. Enright, Operations Manager, is responsible for Trojan's Operations Department and Mr. Bruce McKim, Sales Manager, directs the Sales and Marketing functions.
Line haul services will be performed by owner-operators although Trojan will own most of the trailers in its fleet. Owner-operators own their power units and are under contract to Trojan. In addition to the obvious advantages, such as reduced capital investment and lower operating costs, owner-operators are profit oriented since their remuneration is based on a brokerage fee for all movements. There are certain full load movements where additional flexibility and reduced operating costs are available by the use of owner-operators. Trojan's growth will therefore be directed to those areas of full load traffic which have not been considered compensatory to Overland Western Limited.


B. McKim





**The New Overland Western Symbol**

With the merger of Overland Express and Western Freight Lines, it was important to establish a completely new single identity for the merged operation.
A design consultant was hired to examine the needs for identification of the merged company. The first phase was to study the various identifications of competitive companies in an effort to establish a design for Overland Western Limited that would be unique in the industry, dramatic, and memorable.
As a result of the study, the designers established first a symbol which projected the idea of packages. This is a rather abstract design which creates some curiosity and then shows up as a dimensional package carton. This symbol is associated with a strong, simple design of the Overland Western name, and both of these are co-ordinated with an effective colour plan.
The colour plan establishes two simple colours, grey and a reddish brown. The application of the colour is somewhat unique in this industry with the cab being painted predominantly in the reddish brown, and the trailers in the grey tones.
On the tractors and trailers, both front and rear, shapes have been established to act as safety marks for easy recognition of the truck from front and rear on the highway.
In accepting and approving this identification program, the company felt that they had obtained a symbolism which showed the strength and progressive nature of the company, and at the same time, portrayed the interlocking of the two well-known companies.

| ASSETS | 1971 | 1970 |
|---|---|---|
| **Current:** | | |
| Cash | $ 83,130 | $ 53,409 |
| Accounts receivable | 3,393,290 | 2,879,835 |
| Inventory of parts and supplies – at cost | 137,231 | 96,774 |
| Prepaid expenses | 374,529 | 191,350 |
| | 3,988,180 | 3,221,368 |
| **Assets under sale agreements** (note 4): | | |
| Terminals | 974,125 | |
| Licences | 792,500 | |
| | 1,766,625 | |
| **Fixed – at cost** (note 6): | | |
| Land and roadways | 1,525,380 | 1,312,524 |
| Buildings | 4,474,674 | 3,959,125 |
| Furniture and equipment | 1,311,577 | 894,652 |
| Automotive equipment | 12,263,563 | 7,111,849 |
| | 19,575,194 | 13,278,150 |
| Less accumulated depreciation | 9,088,850 | 5,977,192 |
| | 10,486,344 | 7,300,958 |
| **Franchises – at nominal value** | 1 | 1 |
| | $16,241,150 | $10,522,327 |

On behalf of the Board:

R. D. Grant, Director

J. C. Carruth, Director

# CONSOLIDATED BALANCE SHEET

OCTOBER 30, 1971 (WITH COMPARATIVE AMOUNTS FOR 1970)

| LIABILITIES | 1971 | 1970 |
|---|---|---|
| **Current:** | | |
| Due to bankers against which accounts receivable have been pledged — on demand loan | $ 1,374,520 | $ 617,917 |
| — on overdraft | 443,654 | |
| Accounts payable and accrued charges | 1,953,798 | 1,900,020 |
| Taxes payable | 327,215 | 275,305 |
| Long-term debt due within one year | 1,347,703 | 313,845 |
| | 5,446,890 | 3,107,087 |
| **Liabilities to be retired under sale agreements** (note 4): | | |
| Mortgages payable | 221,075 | |
| Income debenture payable | 850,000 | |
| | 1,071,075 | |
| **Long-term debt** (note 5): | | |
| Deferred bank loan | 2,655,339 | 2,000,000 |
| Mortgages payable | 661,305 | 848,057 |
| Lien equipment notes payable | 1,611,731 | 122,828 |
| Note and income debenture payable | 1,202,726 | 300,000 |
| | 6,131,101 | 3,270,885 |
| Less principal amounts due within one year included in current liabilities | 1,347,703 | 313,845 |
| | 4,783,398 | 2,957,040 |
| **Deferred income taxes** | 1,384,100 | 540,000 |
| **Shareholders' equity:** | | |
| Capital (note 7) — | | |
| Authorized: | | |
| 22,796 60¢ cumulative, non-callable first preference shares without par value, convertible into three non-voting participating second preference shares without par value and one common share without par value | | |
| 1,632,612 non-voting participating second preference shares without par value | | |
| 544,204 common shares without par value | | |
| Issued and fully paid: | | |
| 22,796 60¢ first preference shares (39,931 in 1970) | | |
| 1,128,612 second preference shares (1,077,207 in 1970) | | |
| 376,204 common shares (359,069 in 1970) | 268,000 | 268,000 |
| Consolidated retained earnings | 3,287,687 | 3,650,200 |
| | 3,555,687 | 3,918,200 |
| | $16,241,150 | $10,522,327 |

(See accompanying notes to the consolidated financial statements)

# CONSOLIDATED STATEMENT OF INCOME

FIFTY-TWO WEEK PERIOD ENDED OCTOBER 30, 1971 (WITH COMPARATIVE AMOUNTS FOR 1970)

| | 1971 | 1970 |
|---|---|---|
| Net revenue | **$16,945,139** | $14,403,657 |
| Operating expenses excluding depreciation, interest and gain on disposal of equipment | **14,383,893** | 11,988,165 |
| Operating income for period before deduction of other items | **2,561,246** | 2,415,492 |
| Deduct: | | |
| Depreciation | **1,253,682** | 951,480 |
| Gain on disposal of equipment | **(60,174)** | (23,253) |
| Interest – on long-term debt | **373,439** | 215,863 |
| – other | **60,871** | 68,584 |
| | **1,627,818** | 1,212,674 |
| Income before income taxes and extraordinary item | **933,428** | 1,202,818 |
| Taxes on income: | | |
| Current | **251,200** | 565,000 |
| Deferred | **224,500** | 59,000 |
| | **475,700** | 624,000 |
| Income before extraordinary item | **457,728** | 578,818 |
| Sale of franchise | | 30,000 |
| Consolidated net income for period | **$ 457,728** | $ 608,818 |
| Earnings per common and second preference shares:* | | |
| Operations | **$ .287** | $ .363 |
| Extraordinary item | **$ —** | $ .018 |

*Assuming all 60¢ preference shares converted into common and second preference shares.

# CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FIFTY-TWO WEEK PERIOD ENDED OCTOBER 30, 1971 (WITH COMPARATIVE AMOUNTS FOR 1970)

| | 1971 | 1970 |
|---|---|---|
| Balance, beginning of period | **$3,650,200** | $3,887,253 |
| Add consolidated net income for period | **457,728** | 608,818 |
| | **4,107,928** | 4,496,071 |
| Deduct dividends paid on: | | |
| First preference shares | **18,407** | 24,676 |
| Second preference shares | **166,871** | 161,165 |
| Common shares | **55,624** | 53,721 |
| | **240,902** | 239,562 |
| Write-off of cost of franchise acquired | **579,339** | 602,907 |
| Special tax paid on undistributed income | | 3,402 |
| | **820,241** | 845,871 |
| Balance, end of period | **$3,287,687** | $3,650,200 |

(See accompanying notes to the consolidated financial statements)

# CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FIFTY-TWO WEEK PERIOD ENDED OCTOBER 30, 1971 (WITH COMPARATIVE AMOUNTS FOR 1970)

| | 1971 | 1970 |
|---|---|---|
| **Source of funds:** | | |
| Operations – | | |
| Consolidated net income for period | $ 457,728 | $ 608,818 |
| Add (deduct) items not requiring an outlay (receipt) of cash: | | |
| Depreciation | 1,253,682 | 951,480 |
| Deferred income taxes | 224,500 | 59,000 |
| Gain on disposal of fixed assets | (60,174) | (23,253) |
| | 1,875,736 | 1,596,045 |
| Proceeds from sale of fixed assets | 78,157 | 43,165 |
| Debt incurred to acquire Western Freight Lines Limited – | | |
| Income debentures payable | 1,812,726 | |
| Deferred bank loan | 548,280 | |
| Other long-term debt | 764,786 | 1,300,233 |
| | 5,079,685 | 2,939,443 |
| **Application of funds:** | | |
| Dividends paid to shareholders | 240,902 | 239,562 |
| Purchase of shares of Western Freight Lines Limited (note 3) | 2,361,006 | |
| Working capital deficit acquired on acquisition of Western Freight Lines Limited (note 3) | 720,778 | |
| Investment in fixed assets – automotive equipment | 1,476,413 | 769,077 |
| – other | 238,494 | 1,108,333 |
| Franchise acquired | | 602,907 |
| Reduction of deferred debt | 1,615,083 | 362,975 |
| Special tax paid on undistributed income | | 3,402 |
| | 6,652,676 | 3,086,256 |
| Net decrease in working capital during period | 1,572,991 | 146,813 |
| Working capital, beginning of period | 114,281 | 261,094 |
| Working capital (deficit), end of period | $(1,458,710) | $ 114,281 |
| **Represented by:** | | |
| Current assets | $ 3,988,180 | $ 3,221,368 |
| Current liabilities | 5,446,890 | 3,107,087 |
| | $(1,458,710) | $ 114,281 |

(See accompanying notes to the consolidated financial statements)

## AUDITORS' REPORT

To the Shareholders, Overland Western Limited

We have examined the consolidated balance sheet of Overland Western Limited (formerly The Overland Express Limited) and subsidiary companies as at October 30, 1971 and the consolidated statements of income, retained earnings and source and application of funds for the fifty-two week period then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at October 30, 1971 and the results of their operations and the source and application of their funds for the fifty-two week period then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

London, Canada
February 17, 1972

CLARKSON, GORDON & CO.
Chartered Accountants

**1. Principles of consolidation**
The consolidated financial statements include the accounts of Overland Western Limited and its wholly-owned subsidiary companies. During the period ended October 30, 1971, the company acquired all the shares of Western Freight Lines Limited and from the effective date of acquisition on July 29, 1971 has included the operations of Western Freight Lines Limited in the attached consolidated financial statements.

**2. Change in corporate name**
The company changed its corporate name effective October 20, 1971 from The Overland Express Limited to Overland Western Limited to reflect the purchase of Western Freight Lines Limited.

**3. Purchase of Western Freight Lines Limited**
The purchase of Western Freight Lines Limited has been consolidated into the accounts of the company by the "purchase method" of accounting. The purchase price of $2,361,006 for all of the shares of Western Freight Lines Limited was satisfied as follows:

| | |
|---|---|
| Cash | $ 548,280 |
| Five year income debenture repayable in semi annual principal instalments due June 1, 1976 | * 962,726 |
| Income debenture payable on closing of sale of certain assets under sale agreements (note 4) | * 850,000 |
| | $ 2,361,006 |

*These debentures are secured by a floating charge on all assets of the company.

The net assets acquired were accounted for as follows:

| | | |
|---|---|---|
| Current assets at book value | 638,024 | |
| Less current liabilities at book value | 1,358,802 | |
| Working capital deficit acquired | | $ (720,778) |
| Fixed assets: | | |
| Automotive at net book value | 1,987,967 | |
| Land and terminals at fair market value | 1,614,900 | |
| Other fixed assets at net book value | 113,402 | |
| | 3,716,269 | |
| Less mortgages and lien notes assumed and applicable deferred taxes | 2,006,324 | |
| Net fixed assets acquired | | 1,709,945 |
| Licences under sale agreements | | 792,500 |
| Cost of franchise acquired | | 579,339 |
| | | $ 2,361,006 |

The book values of Western Freight Lines Limited have been adjusted as at July 29, 1971 to conform to the accounting practices followed by the company.

**4. Assets under sale agreements**
Prior to October 30, 1971, the company and certain subsidiary companies entered into several sale agreements to dispose of certain terminals and licences, surplus to the business requirements of the company, for a total price of $1,766,625. Since the sale agreements related in part to public commercial vehicle operating licences, it was necessary to obtain the approvals of The Ontario Highway Transport Board and The Canadian Transport Commission.

Subsequent to October 30, 1971, the required approvals were received, but an application for leave to appeal the approval of The Ontario Highway Transport Board has been lodged in the courts. Counsel has advised that it is not possible at present to determine with certainty the length of time the appeal proceedings will take or their outcome, but that there are reasonable grounds for anticipating a final resolution favourable to the company.

The sale agreements provided that the purchasers will assume the outstanding mortgages on the terminals being acquired and pay the balance in cash.

In conjunction with the purchase of the shares of Western Freight Lines Limited, the former owners have agreed to postpone payment of the $850,000 income debenture until the proceeds from the disposal of the terminals and licences have been received by the company. This postponement has been agreed to for a period up to December 31, 1972.

**5. Long-term debt**

Particulars of deferred bank loan, mortgages, notes and income debenture are as follows:

| | October 30, 1971 | October 31, 1970 |
|---|---|---|
| 8⅞% deferred bank loan repayable monthly over a negotiated fifteen year period – collateral mortgages on the Mississauga and Windsor terminals have been pledged as security (note) | $ 2,655,339 | $ 2,000,000 |
| 6% mortgage due December 31, 1970 ($200,000 was refinanced by an increase to the deferred bank loan) | | 225,379 |
| 6 – 11% mortgages repayable at varying intervals due 1972 to 1985 – secured by certain terminals | 661,305 | 622,678 |
| Lien notes on automotive equipment repayable monthly due 1972 and 1973 | 1,611,731 | 122,828 |
| 3.4% income debenture repayable semi annually due June 1, 1976 – secured by floating charge debenture on all assets of the company | 962,726 | |
| 9% unsecured note repayable annually due July 26, 1975 | 240,000 | 300,000 |
| | 6,131,101 | 3,270,885 |
| Principal payments due within one year | 1,347,703 | 313,845 |
| | $ 4,783,398 | $ 2,957,040 |

Note: It should be noted that the bank holds demand notes which are supported by the collateral mortgages on the Mississauga and Windsor terminals for this bank indebtedness. The present negotiated repayment terms are equal monthly payments over a fifteen year period. The bank has provided the company assurance that this negotiated repayment schedule will remain in effect throughout the 1972 fiscal year and accordingly, only twelve months scheduled repayments are included in principal payments due within one year.

Payments required on long-term debt in future years are as follows:

| | |
|---|---|
| 1972 | $ 1,347,703 |
| 1973 | 1,144,021 |
| 1974 | 744,520 |
| 1975 | 541,426 |
| 1976 | 399,306 |
| Subsequent years | 1,954,125 |
| | $ 6,131,101 |

**6. Depreciation**

The company charges depreciation on a straight-line basis over the estimated useful life of each class of asset at the following rates:

| | |
|---|---|
| Buildings | 20 to 30 years |
| Highway tractors | 5 years |
| City tractors | 8 years |
| Trailers | 8 years |
| Miscellaneous equipment | 5 years |

The cost, accumulated depreciation and net book value of each class of asset at October 30, 1971 are as follows:

| | Cost | Accumulated depreciation | Net book value |
|---|---|---|---|
| Land and roadways | $ 1,525,380 | $ 71,272 | $ 1,454,108 |
| Buildings | 4,474,674 | 1,001,461 | 3,473,213 |
| Furniture and equipment | 1,311,577 | 897,996 | 413,581 |
| Automotive equipment | 12,263,563 | 7,118,121 | 5,145,442 |
| | $19,575,194 | $ 9,088,850 | $10,486,344 |

**7. Capital stock**

During the period ended October 30, 1971, 17,135 convertible preference shares were converted to 17,135 common shares and 51,405 second preference shares under the conversion privileges attached.

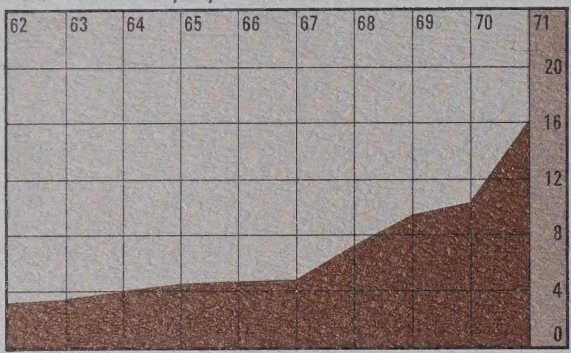
As at October 30, 1971, there were options outstanding to a director of the company for 4,000 common shares at $8 per share and 12,000 second preference shares at $4 per share. This option is exercisable from time to time over a five year period ending January 1, 1976.

**8. Directors' and officers' remuneration**

During the year the Board of Directors was increased from seven to nine members and the total directors' remuneration as such for the 1971 fiscal year amounted to $7,600 (1970 – $7,100). The aggregate direct remuneration paid or payable to senior officers amounted to $134,641 (1970 – $138,508).

Total Assets employed

millions $

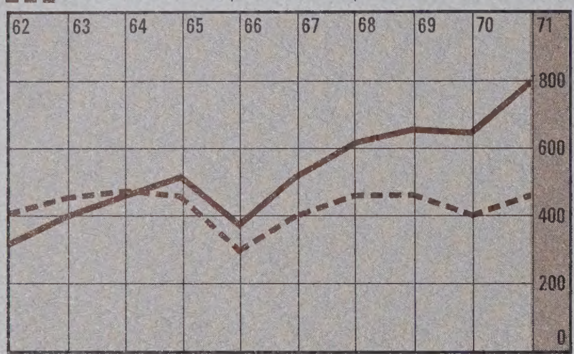



Freight transported

Thousands of tons transported

Thousands of shipments transported

thousands

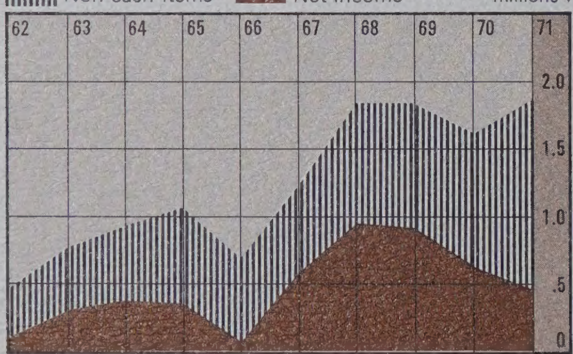



Cash Flow

Non cash items

Net income

millions $




Operating ratio

Percentage of expenses to revenue excluding extraordinary items, interest and taxes on income

%


| |
|---|
| Net revenue |
| Consolidated net income after taxes<br>Amount<br>Percent of net revenue |
| Common and Second Preference dividends per share |
| Earnings per Common and Second Preference Share (assuming all first preference shares converted into common and second preference shares) |
| Cash flow per share (assuming all first preference shares converted into common and second preference shares) |
| Book value per Common and Second Preference Share (assuming all first preference shares converted into common and second preference shares) Note 2 |
| Salaries, wages and benefits |
| No. of full time employees at year-end |
| No. of First Preference shareholders at year-end |
| No. of Second Preference shareholders at year-end |
| No. of Common Shareholders at year-end |
| No. of tons transported |
| No. of shipments transported |
| Fuel taxes and licences |
| Equipment owned and operated<br>Trucks and tractors<br>Semi-trailers<br>Miscellaneous |

| 1971<br>October 30<br>52 Weeks | 1970<br>October 31<br>52 Weeks | 1969<br>November 1<br>52 Weeks | 1968<br>November 2<br>53 Weeks | 1967<br>October 28<br>52 Weeks | 1966<br>October 29<br>52 Weeks | 1965<br>October 30<br>52 Weeks | 1964<br>October 31<br>52 Weeks | 1963<br>November 2<br>52 Weeks | 1962<br>October 27<br>52 Weeks |
|---|---|---|---|---|---|---|---|---|---|
| **$ 16,945,139** | $ 14,403,657 | $ 14,515,144 | $ 12,787,119 | $ 9,858,400 | $ 6,502,501 | $ 8,183,521 | $ 7,181,518 | $ 6,456,062 | $ 5,034,189 |
| **$457,728** | $ 608,818 | $ 919,645 | $ 940,447 | $ 533,141 | $ 81,220 | $ 358,927 | $ 395,658 | $ 304,991 | $ 102,766 |
| **2.7** | 4.2 | 6.3 | 7.4 | 5.4 | 1.3 | 4.4 | 5.5 | 4.7 | 2.0 |
| **$ .15** | $ .15 | $ .15 | $ .125 | $ .081 | Nil | $ .075 | $ .065 | $ .025 | Nil |
| **$ .287** | $ .381 | $ .576 | $ .603 | $ .348 | $ .055 | $ .243 | $ .27 | $ .208 | $ .07 |
| **$ 1.18** | $ 1.01 | $ 1.141 | $ 1.164 | $ .778 | $ .455 | $ .678 | $ .633 | $ .513 | $ .333 |
| **$ 2.23** | $ 2.46 | $ 2.60 | $ 2.21 | $ 1.79 | $ 1.55 | $ 1.57 | $ 1.43 | $ 1.25 | $ 1.16 |
| **$ 9,937,309** | $ 7,983,457 | $ 7,676,275 | $ 6,345,939 | $ 5,229,239 | $ 3,653,223 | $ 4,218,065 | $ 3,563,784 | $ 3,324,405 | $ 2,770,830 |
| **1,144** | 835 | 860 | 855 | 718 | 719 | 692 | 643 | 595 | 590 |
| **447** | 545 | 560 | 758 | 994 | 1,027 | 1,063 | 1,097 | 1,107 | 888 |
| **1,000** | 1,042 | 1,023 | — | — | — | — | — | — | — |
| **323** | 392 | 418 | 478 | 599 | 700 | 690 | 650 | 667 | 723 |
| **811,385** | 659,056 | 666,926 | 629,551 | 530,929 | 397,944 | 529,631 | 475,334 | 418,283 | 330,263 |
| **473,683** | 415,909 | 455,715 | 454,821 | 402,591 | 321,996 | 484,109 | 489,320 | 475,012 | 433,879 |
| **$ 949,596** | $ 913,648 | $ 923,008 | $ 782,348 | $ 652,265 | $ 507,130 | $ 579,427 | $ 507,391 | $ 436,140 | $ 371,462 |
| **553** | 345 | 310 | 303 | 292 | 272 | 291 | 267 | 259 | 250 |
| **865** | 598 | 555 | 516 | 448 | 405 | 375 | 322 | 271 | 269 |
| **110** | 105 | 86 | 86 | 84 | 78 | 81 | 77 | 66 | 36 |

**NOTES:**

1. The 1966 and 1962 statistics are affected by a fourteen and seven week strike, respectively.
2. Book value per share reflects the write off of goodwill and franchises of acquired companies as follows: 1971, $579,339; 1970, $602,907; 1969, $375,631; 1968, $65,300.

Overland Western and its subsidiaries are engaged in the transportation of general commodities in Ontario and the States of New York and Michigan. Service beyond its licensed territory is offered via reliable connecting carriers to and from all points in Canada and the United States.

Terminal locations:

Barrie
Brantford
Buffalo, New York
Chatham
Detroit, Michigan
Flint, Michigan
Hamilton
Kitchener-Waterloo
Lansing, Michigan
London
Oshawa
Saginaw, Michigan
St. Catharines
Sarnia
Toronto
Windsor
Woodstock